

J.P. Morgan United States Government Bond 10+ Year Index

Methodology and Factsheet

Highlights

The J.P. Morgan United States Government Bond 10+ Year Index (JPM GBI US 10+) aims to track the performance of eligible fixed-rate, USD- denominated U.S. Treasury bonds. The index is based on the composition and established methodology of the J.P. Morgan Government Bond Index.

Index Criteria

Instrument Type:	Includes: Fixed-rate and zero-coupon bonds Excludes: Floating-rate bonds, capitalization/amortizing bonds, bonds with callable, puttable, or convertible features
Remaining Maturity:	Greater than 10-years remaining maturity on rebalance date
Minimum Issue Size:	\$1 billion
Currency Denomination:	USD denominated
Issuer:	United States Government

Index Characteristics and Methodology

Pricing:	Mid prices are taken from a third-party pricing source, PricingDirect
Aggregate Return:	Weighted average of bond returns using mid prices
Rebalancing:	Rebalances on the last weekday of the month. If FX rates from WM Reuters are unavailable on the last weekday of the month (i.e., Good Friday), indices are rebalanced on the previous business day
Coupon Reinvestment:	Immediately reinvested into the respective local market returns
FX Rates:	All FX rates used for hedged/unhedged returns are as of 4pm London time provided by WM/Reuters
Weighting	Market capitalization based weight
Bond Price Timing:	As of 4pm EST
Holiday Calendar	Index levels are published on all weekdays. Individual instrument analytics follow respective local market calendar
Bloomberg Ticker	JPMTUS10 return in USD JNUCUS10 return in EUR

Source: JPMorgan Chase & Co.

Defining the universe of eligible countries

The J.P. Morgan United States Government Bond 10+ Year Index consists of regularly traded, fixed-rate, USD-denominated U.S. Treasury bonds.

Index eligibility is determined using the following criteria:

Instrument type: Only fixed-rate and zero-coupon instruments are included. Floating-rate, capitalization, amortizing bonds or bonds with callable, puttable or convertible features are not considered for the index.

Liquidity: J.P. Morgan indices include only securities subject to several considerations including but not limited to:

- **Pricing:** Bonds must trade with enough frequency to prevent stale price quotations
- **Availability:** Bonds must be regularly traded in size at acceptable bid-offer spreads and readily redeemable for cash. A reasonable two-way market must exist for the instrument to be included in the index portfolio.
- **Replication costs:** Investors should be able to replicate the index without incurring excessive transaction costs.

Bond calculations

Calculations are according to market convention: all calculations including accrued interest, duration, yield, etc., are done according to local market convention using parameters (ex-dividend rules, settlement conventions, etc.) relevant to each specific bond. All calculations are gross of tax and ignore transactions costs.

Bond pricing: Pricing for our underlying instruments is provided on a daily basis from Pricing Direct, a third party valuation vendor. In the event the primary source for pricing is unable to provide a quote, the Index Group reserves the right to consider the use of an appropriate alternative source for index inputs. Please see <http://www.pricing-direct.com> for further details.

Ex-dividend rules: ex-dividend rules, when applicable, are incorporated into accrued interest calculations, as appropriate, by country. Ex-dividend rules define the last day a bondholder must own a bond in order to receive that bond's next coupon payment, otherwise known as the ex-dividend date.

- During the period between the ex-dividend date and the coupon date, the bond trades "ex-dividend"
- An investor who purchases a bond for settlement between the ex-dividend date and coupon date will not receive that bond's next coupon payment
- During this period, according to market convention, accrued interest becomes negative resulting in a total price at a discount to the clean price and in effect, compensating the investor for the time the bond will be held without interest
- On coupon date, interest will start to accrue for the subsequent coupon payment

Bond and Index Returns: Bond and index returns are calculated daily:

- Principal return index is based on changes in clean price
- Interest return index is based on changes in accrued interest
- Total return index is based on changes in both clean price and accrued interest

Reinvestment of coupons: the J.P. Morgan indices are always fully invested. All coupons received are immediately reinvested back into the local market.

Interest accruals: interest is accrued starting from the bond's dated date up to the first coupon value date. Accrued interest is calculated according to market convention, on a settlement day basis. Interest is accrued by value or settlement date. Weekly, seven days of interest are accrued, including the weekend.

In markets with ex-dividend rules, if a bond is purchased after the ex-dividend date the purchaser will not receive the bond's next coupon. In order to compensate the buyer of the bond, the price paid for the bond must be less than the clean market price, thus, accrued interest will be negative.

Coupon value date: The coupon value date is the trade date associated with settlement on coupon date (the day the coupon is paid). Thus, the coupon value date is the last trade date which an investor may purchase a bond and have that bond settle prior to payment of the subsequent coupon. On coupon value date, accrued interest resets to zero, and accruals begin towards the next coupon.

Yield: effective annual rate of return, expressed as a percentage. For the J.P. Morgan Government Bond Index body of data, yields are all calculated as yield-to-maturity, which is the discount rate that the present value of future payments equals the price of the security.

Index calculations

The index rebalances on the last weekday of each month. If FX rates from WM Reuters are unavailable on the last weekday of the month (i.e. Good Friday), indices are rebalanced on the previous business day.

The index is weighted by the component countries' aggregate normalized market capitalization (dirty price times par outstanding). The weights reset monthly on each rebalance day, and changes based on bond performance for the remainder of that month.

Accrued interest is assigned to the bonds in the index according to the specific settlement and day count conventions of each market.

Daily indicative pricing for each security and FX rate is closely scrutinized and are reconciled using market movements and other pricing sources as guidance. As necessary, an established alternate source will be used to maintain the integrity of daily index calculations. On any given calculation day, if the primary source is unable to provide a quote, the Index Group reserves the right to consider the use of an appropriate alternate source for index inputs, such as pricing and FX. If a permanent switch for the primary third-party pricing source is necessary, clients will be notified in advance prior to any official switch.

For any questions or for additional information, please contact index.research@jpmorgan.com.

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